

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

The Peoples Gas Light and Coke Company :	:	
	:	
Informational statement pursuant to	:	
Section 6-102(d) of the Public Utilities	:	10-0350
Act in connection with the proposed	:	
issuance and sale of up to \$50 million	:	
aggregate principal amount of bonds or	:	
notes, or a combination thereof, in one	:	
or more series.	:	

ORDER

By the Commission:

Introduction

On May 21, 2010, The Peoples Gas Light and Coke Company ("Peoples Gas") filed a verified Informational Statement with the Illinois Commerce Commission pursuant to Section 6-102(d) of the Public Utilities Act, 220 ILCS 5/1-101 *et seq.* In the Informational Statement, Peoples Gas sought an order from the Commission authorizing the proposed issuance of up to \$50,000,000, in aggregate principal amount, of bonds or notes. The authority is sought for Peoples Gas to refinance its currently outstanding \$50,000,000 4.75% Series HH First and Refunding Mortgage Bonds.

On May 27, 2010, Rochelle Phipps, Senior Financial Analyst for the Finance Department of the Financial Analysis Division, on behalf of the Staff of the Illinois Commerce Commission, filed an Answer to the Informational Statement recommending that the Commission issue an order identifying the applicable statutory provisions and regulations and also authorizing the transactions described in the Informational Statement. There are no contested issues in this docket.

The Statutory Authority for Proposed Financing

As is set forth more fully below, Peoples Gas states that its filing is governed by Section 6-102(d) of the Act and that Section 6-102(b) is not applicable to the proposed financing.

Section 6-102(b) of the Act provides, in relevant part, as follows:

(b) The provisions of this subsection (b) ... shall not apply to (3) any issuances of stock or of bonds, notes or other evidences of indebtedness 90% or more of the proceeds of which are to be used by the public utility for purposes of refunding, redeeming or refinancing outstanding issues of stock, bonds, notes or other evidences of indebtedness. . .

(220 ILCS 5/6-102(b)).

Section 6-102(d) of the Act provides, in pertinent part, that:

(d) Any issuance of stock or of bonds, notes or other evidences of indebtedness, other than issuances of notes pursuant to subsection (c) of this Section, which is not subject to subsection (b) of this Section, shall be regulated by the Commission as follows: the public utility shall file with the Commission, at least 15 days before the date of the issuance, an informational statement setting forth the type and amount of the issue and the purpose or purposes to which the issue or the proceeds thereof are to be applied. Prior to the date of the issuance specified in the public utility's filing, the Commission, if it finds that the issuance is not subject to subsection (b) of this Section, shall issue a written order in conformance with subsection (a) of this Section authorizing the issuance. . .

(220 ILCS 5/6-102(d)).

The Nature and Purpose of the Proposed Financing

Peoples Gas states that it plans to issue up to \$50,000,000 in aggregate principal amount, in the form of bonds or notes, or a combination thereof, in one or more series and in one or more transactions. It will use the proceeds to refinance its currently outstanding \$50,000,000 4.75% Series HH First and Refunding Mortgage Bonds ("Series HH"), which are callable on July 1, 2010, at a \$0.50 premium per \$100 bond for a total of \$250,000. Peoples Gas avers that it does not plan to use the proceeds from the new debt to pay issuance costs, redemption costs or call premiums on Series HH. According to Peoples Gas, Series HH has a mandatory put date of July 1, 2014, at which point, the current 4.75% interest rate will be reset. For purposes of this refinancing, Peoples Gas states that it proposes to issue and sell First and Refunding Mortgage Bonds through an underwritten offering, an agency sale, or a private placement. If Peoples Gas determines to issue and sell any of the debt in an underwritten offering, it will do so in a competitive manner to one or more investment banks. Also, if Peoples Gas accepts an underwriting proposal for the debt, it intends to accept the proposal that provides it the lowest annual cost of money.

According to Peoples Gas, it intends the replacement issue to have substantially the same final maturity and mandatory put date as Series HH. It expects the interest rate, which will last until the mandatory put date of July 1, 2014, to be in the 2.75% to 4% range. However, due to capital market fluctuations, the terms of the debt, including the maturity, price, rate or method of calculation of interest and dates for payment, and any redemption, prepayment or sinking fund provisions, will be determined at the time of the offering.

With regard to whether Section 6-102(b) of the Act is applicable, Peoples Gas contends that Section 6-102(b) does not apply to the proposed transaction because it satisfies the subsection (3) test enunciated in 220 ILCS 5/6-102(b). The entire proposed transaction constitutes refinancing or refunding of outstanding debt. Consequently, Peoples Gas contends, the proposed transaction is not subject to Section 6-102(b) of the Act, and the proposed issuance is properly regulated under Section 6-102(d).

Regarding the fee required in certain circumstances pursuant to Section 6-108 of the Act, Peoples Gas avers that it does not need to pay a fee for the new debt, as it has already paid the Commission fees for the \$50 million Series HH bonds.

Finally, Peoples Gas requests an expiration date for the Commission authority requested (to issue the bonds or notes) of two years from the date of issuance of the Commission's order, as this will allow Peoples Gas the flexibility to transact at the most economically opportune time.

Staff's Position

Staff reviewed Peoples Gas' Informational Statement and Article VI of the Act. Staff states that Peoples Gas' proposal is subject to Section 6-101, which requires the Commission to provide proper identification numbers on the proposed securities when issued. Peoples Gas requested one number. Staff further states that the proposal is subject to Section 6-102(a), which requires a Commission Order authorizing the issuance of the proposed indebtedness. The Order must state the amount of the proceeds and the purpose(s) to which they are to be applied and that such application is reasonably required. Staff concluded that Peoples Gas' proposal is not subject to Section 6-102(b), as it will use at least 90% of the proceeds for the purpose of refunding, redeeming or retiring existing indebtedness, which was authorized in Docket 00-0021 (Final Order, January 26, 2000). Peoples Gas' proposal is subject to Section 6-102(d), which requires the Informational Statement filed by Peoples Gas, and also a Commission Order that is in conformance with Section 6-102(a).

Staff further states that the proposal here is subject to Section 6-108 of the Act, but, as the proceeds will be used for the purpose of refunding, redeeming or retiring existing indebtedness issued with the Commission's consent, no fee is required. Finally, Staff avers that the proposal here is subject to 83 Ill. Adm. Code 240.10 *et seq.*,

which requires Peoples Gas to file reports regarding the issuance of the proposed indebtedness and the application of the proceeds, unless the order provides otherwise.

Staff recommends that the Commission issue an Order, pursuant to Section 6-102(a) of the Act, authorizing the transactions described in Peoples Gas' Informational Statement and identifying the applicable statutory and regulatory provisions. It further recommends that the Commission order Peoples Gas to file reports, as is required by 83 Ill. Adm. Code 240.10 *et seq.* Staff finally recommends that the Order specifically state that the reporting requirements are mandatory and also state that failure to make these filings could result in an action against the utility seeking penalties for failure to comply with a Commission order, the requirements of a statute, or the Commission's rules.

Findings and Ordering Paragraphs

The Commission concludes that the request made in the Informational Statement filed by The Peoples Gas Light and Coke Company, which is the subject of this docket, is reasonable and it should be approved. In so ruling, we note that Staff has filed an Answer, in which, it does not object to the request made by Peoples Gas in its Informational Statement. Also, there are no contested issues in this docket. We note that Staff's recommendations, made in its Answer, are reasonable and they shall be incorporated in the Finding and Ordering Paragraphs below.

The Commission, having considered the entire record herein, is of the opinion and finds that:

- (1) The Peoples Gas Light and Coke Company is a corporation engaged in the sale and distribution of natural gas in portions of the State of Illinois and, as such, is a "public utility" within the meaning of the Public Utilities Act;
- (2) the Commission has jurisdiction over The Peoples Gas Light and Coke Company and subject-matter jurisdiction;
- (3) the recitals of fact set forth in the prefatory portion of this Order are supported by the record and are hereby adopted as findings of fact;
- (4) subject to the conditions set forth herein, the proposed issuance of up to \$50,000,000 in aggregate principal amount of bonds or notes to be used only in the manner described in Finding (5) below, is reasonable and it should be approved;
- (5) all of the proceeds must be used for the refinancing purposes described in this Order;

- (6) the funds to be obtained from this or these issuance(s) are reasonably required for the purposes described herein;
- (7) the proposed transactions are not subject to the provisions of Section 6-102(b) of the Act;
- (8) in accordance with Section 6-101 of the Act, Peoples Gas shall, before issuance of the debt described herein, cause the following identification number to be placed on the face of such securities: Ill. C.C. No. 6556;
- (9) The Peoples Gas Light and Coke Company shall comply with the reporting requirement set forth in 83 Ill. Adm. Code 240.10 *et seq.*, which reporting requirements are mandatory; failure to make the filings could result in action against the Company, in which, penalties are sought for failure to comply with a Commission order, the requirements of a statute, or, the Commission's rules, depending upon the circumstance, and
- (10) all reports made by the Peoples Gas Light and Coke Company shall be verified by a person or persons who have personal knowledge of the contents therein, stating, under oath or similar affirmation, that the facts therein are true and correct.

IT IS THEREFORE ORDERED by the Illinois Commerce Commission that The Peoples Gas Light and Coke Company's proposed issuance of up to \$50,000,000 in aggregate principal amount of bonds or notes is hereby approved in accordance with Section 6-102(d) of the Act.

IT IS FURTHER ORDERED that the authority to issue the bonds or notes that is granted herein shall expire on June 23, 2012.

IT IS FURTHER ORDERED that The Peoples Gas Light and Coke Company shall comply with Findings (4), (5), (8), (9) and (10) of this Order.

IT IS FURTHER ORDERED that, subject to the provisions in Section 10-113 of the Public Utilities Act and 83 Ill. Adm. Code 200.880, this Order is final; it is not subject to the Administrative Review Law.

By Order of the Commission this 23rd day of June, 2010.

(SIGNED) MANUEL FLORES

Acting Chairman